

As economic crisis looms, Lawrence workshop aims to help homeowners

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LAWRENCE — As bad as the foreclosure crisis is in the city and elsewhere around Essex County, it is only going to get worse, a group of local and state officials told The Eagle-Tribune yesterday.

Home values have already plummeted nearly 50 percent in the city since 2006, and nearly 1,000 homes have been auctioned off. Hundreds more face foreclosure.

This week, federal lawmakers are considering a multibillion-dollar bailout of Freddie Mac and Fannie Mae, the quasi-government agencies that guarantee most of the mortgages in the country, but which are themselves reeling from the fallout of the subprime lending fiasco.

Some banks are even beginning to show signs of failing, and unemployment is on the rise.

"I don't see an end to this," Mayor Michael Sullivan said. "It could go on another two or three years."

Juan Bonilla, homeownership education coordinator for Lawrence CommunityWorks, a nonprofit group that counsels local residents facing foreclosure, said the housing crisis could go on to 2013 or 2014, as people with good credit but bad mortgages get swept up in the problem as well.

Daniel Crane, undersecretary of the state Office of Consumer Affairs and Business Regulation, said the "big issue" is what happens in the next seven to 10 days, when Congress and the Bush administration take up legislation on how to prevent Fannie Mae and Freddie Mac from faltering, which could have a devastating ripple effect throughout the economy by further tightening credit, among other problems.

"We'll know better when we see what Congress does," Crane said.

In the meantime, people in the area facing financial woes of their own will have an opportunity to meet with as many as nine lenders who have sold most of the mortgages in the area during a workshop tomorrow at South Lawrence East School, 165 Crawford St.

The Homeowner Foreclosure Prevention Workshop, from 2 to 8 p.m., aims to help people at risk of losing their homes by putting them at the table with "loss mitigation teams" from lenders such as Countrywide Financial, GMAC Mortgage, Wells Fargo and Bank of America.

Similar workshops have been held in Brockton and Springfield and have been useful because many times, when people are struggling to get themselves out of a mortgage problem, they have a hard time reaching anyone at the big banks or mortgage companies.

"This way, they're not dealing with an 800 number," said Crane. "The loss mitigation team puts their eyes on you and takes their measure of you. You are one-on-one with them."

Some 3,700 residents of Essex County deemed at risk of facing foreclosure have been invited to the event, and roughly 300 people are expected to show up. About 250 showed up for the Brockton event and another 100 went to Springfield, although Crane didn't have any statistics showing how many actually received help.

"It was more relief by way of less anxiety," he said. "It's a combination of what they said and their body language. They were relieved to know where they stood."

Bonilla said that as a homeownership counselor, he believes every homeowner has a different story and a different set of solutions.

"It's a complex spider web," he said, referring to a "maze" of first- and second-mortgage holders who want to recover their debt. "There's no easy solutions."

He said his group is seeing 30 to 50 families a month seeking assistance.

One of the typical ways homeowners get help is to have what's called a "work-out," which modifies a mortgage to make the payments as affordable as possible based on the income of the residents.

Other lenders go for so-called "short sales," agreeing to let the owner sell the property for less than the mortgage to prevent it from going into foreclosure.

Unfortunately, many banks aren't willing to do short sales, said Bonilla.

"It baffles us why we're not getting more short sales," he said. "Only three in 10 cases are homeowners able to do short sales."

The other seven out of 10, he said, go into foreclosure.

Crane said one of the problems with short sales is that if there's a second or third mortgage on the property, the other lenders won't see any money from the short sale and make a fuss when it's proposed.

"The creditors won't act rationally or subordinate their positions," he said.

If you go

What: Homeowner Foreclosure Prevention Workshop

Where: South Lawrence East School, 165 Crawford St.

When: Tomorrow, 2 to 8 p.m.

Why: 3,700 homeowners from the area who are deemed at risk of foreclosure can speak face to face with loss mitigation teams from lenders.

Who: The following lenders will be participating: Bank of America, CitiBank, Countrywide Financial, GMAC Mortgage, HSBC, JPMorgan Chase, Option One, Washington Mutual and Wells Fargo. Also attending will be local and state political leaders as well as area nonprofit groups.

There are other problems facing homeowners that are contributing to the downward spiral of the housing market:

r As home values keep dropping, it's hard for homeowners in adjustable-rate mortgages to refinance because the value of their homes has dropped below the size of their mortgage.

r Predatory lending has affected 80 percent of the homeowners Bonilla's organization has counseled.

r In many cases, subprime lending itself isn't a bad thing, since it allows people with good credit and incomes to buy a home.

r Although property values have plummeted in Lawrence — a home that sold in 2005 for \$340,000 may be going for \$170,000 now — it's getting harder and harder to get loans to buy even the lowest-priced houses.

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